

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Monitor	County Bay
Fiscal Year End 12-31-06	Opinion Date 05-24-07	Date Audit Report Submitted to State 06-20-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

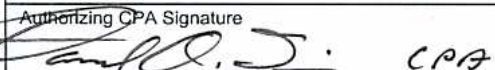
SEY 02

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 CORRESPONDENCE	
Certified Public Accountant (Firm Name) Weinlander Fitzhugh		Telephone Number 989-893-5577	
Street Address 1600 Center Ave		City Bay City	State Mi
		Zip 48707	
Authorizing CPA Signature  CPA		Printed Name David Quimby	
		License Number 1101015265	



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# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

## CHARTER TOWNSHIP OF MONITOR BAY COUNTY, MICHIGAN

### FINANCIAL STATEMENTS DECEMBER 31, 2006

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CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

May 24, 2007

Township Board  
Charter Township of Monitor  
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Monitor, Bay County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority, a component unit, which statements reflect total assets of \$1,041,881 as of December 31, 2006, and total revenues of \$237,268 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Downtown Development Authority, is based on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the Charter Township of Monitor as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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## WEINLANDER FITZHUGH

Township Board  
Charter Township of Monitor  
May 24, 2007  
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monitor Township's basic financial statements. The accompanying other supplemental information, as identified in the index, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Weinlander Fitzhugh*

**Charter Township of Monitor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

Our discussion and analysis of the Charter Township of Monitor's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006.

**Financial Highlights**

State shared revenues accounted for \$698,834 or 45% of general fund revenues. While tax collection revenue accounted for \$395,959 or 26% of general fund revenues. The General Fund reported an increase in fund balance of \$56,190.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Charter Township of Monitor financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General Fund, Solid Waste Fund, and Sewage Disposal System Fund with all other funds presented in one column as nonmajor funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the Government-wide financial statements for the Township's water and sewer operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

**Management's Discussion and Analysis (MD&A) (Required Supplemental Information)**

**Basic Financial Statements**

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

**Budgetary Information for the General Fund, Solid Waste Fund, and the Sewage Disposal Fund  
(Required Supplemental Information)**

**Other Supplemental Information**

**Charter Township of Monitor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

**Reporting the Township as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is divided into three kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the fire, trash, inspection, drains and general administration. Sales taxes (stated shared revenues), property taxes and franchise fees finance most of these activities.
- **Business Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's water and sewer systems are reported here.
- **Component Unit** – The Township includes the Downtown Development Authority in their report. Although legally separate, this component unit is important because the Township is financially accountable for them.

**Reporting the Township's Most Significant Funds**

*Fund Financial Statements*

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.



**Charter Township of Monitor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

*Governmental Funds*

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Proprietary Funds*

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Government-wide statements.

These funds present the Township's water and sewer operations that are managed by the Bay County Department of Water and Sewer and the Township. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2006.

*Fiduciary Funds*

The Township is the trustee, or fiduciary, for tax collections and (other funds). All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

**Township-wide Financial Analysis**

**Financial position** - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of December 31, 2006 and 2005.

**Charter Township of Monitor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

<b><u>Exhibit A</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Assets</b>						
Current and other assets	\$ 5,030,227	\$ 4,908,000	\$ 1,683,715	\$ 1,673,477	\$ 6,713,942	\$ 6,581,477
Capital assets - net of accumulated depreciation	<u>515,021</u>	<u>517,898</u>	<u>9,004,487</u>	<u>9,359,312</u>	<u>9,519,508</u>	<u>9,877,210</u>
Total assets	<u>5,545,248</u>	<u>5,425,898</u>	<u>10,688,202</u>	<u>11,032,789</u>	<u>16,233,450</u>	<u>16,458,687</u>
<b>Liabilities</b>						
Current liabilities	1,597,701	1,565,535	607,659	797,472	2,205,360	2,363,007
Long-term liabilities	<u>67,443</u>	<u>82,341</u>	<u>830,680</u>	<u>1,344,823</u>	<u>898,123</u>	<u>1,427,164</u>
Total liabilities	<u>1,665,144</u>	<u>1,647,876</u>	<u>1,438,339</u>	<u>2,142,295</u>	<u>3,103,483</u>	<u>3,790,171</u>
<b>Net Assets</b>						
Invested in property and equipment - net of related debt	442,888	402,495	7,666,168	7,422,267	8,109,056	7,824,762
Restricted	1,695,789	1,686,108	0	0	1,695,789	1,686,108
Unrestricted	<u>1,741,427</u>	<u>1,689,419</u>	<u>1,583,695</u>	<u>1,468,227</u>	<u>3,325,122</u>	<u>3,157,646</u>
Total net assets	<u>\$ 3,880,104</u>	<u>\$ 3,778,022</u>	<u>\$ 9,249,863</u>	<u>\$ 8,890,494</u>	<u>\$ 13,129,967</u>	<u>\$ 12,668,516</u>

Exhibit A focuses on net assets. The Township's total net assets were \$13,129,967 at December 31, 2006. Capital assets net of related debt, totaling \$8,109,056 compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$1,695,789 are reported separately to show legal constraints that limit the Township's ability to use those net assets for day-to-day operations.

The \$3,325,122 of unrestricted net assets of governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the general, special revenue, and enterprise funds will have a significant impact on the change in unrestricted assets from year to year.

**Results of operations** - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the years ended December 31, 2006. Exhibit B provides a summary of the Township's operations for the years December 31, 2006 and 2005.

Charter Township of Monitor  
Management's Discussion & Analysis  
For the Year Ended December 31, 2006

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b><u>Exhibit B</u></b>						
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 611,279	\$ 587,241	\$ 1,566,757	\$ 1,316,291	\$ 2,178,036	\$ 1,903,532
Grants and contributions	0	0	451,189	448,530	451,189	448,530
General revenue:						
Taxes	1,090,053	1,086,691	0	0	1,090,053	1,086,691
State shared revenue	698,834	681,905	0	0	698,834	681,905
Investment income	132,387	76,632	72,243	46,119	204,630	122,751
Other	21,686	264,376	0	0	21,686	264,376
Total revenue	<u>2,554,239</u>	<u>2,696,845</u>	<u>2,090,189</u>	<u>1,810,940</u>	<u>4,644,428</u>	<u>4,507,785</u>
<b>Function/Program Expenses</b>						
Legislative	35,691	36,968	0	0	35,691	36,968
General government	567,145	520,088	0	0	567,145	520,088
Public safety	761,580	715,044	0	0	761,580	715,044
Public works	222,233	205,955	0	0	222,233	205,955
Recreation activities	21,629	32,047	0	0	21,629	32,047
Sanitation	427,514	420,298	0	0	427,514	420,298
Other	0	96,917	0	0	0	96,917
Payment to enterprise fund	451,191	448,530	0	0	451,191	448,530
Water and sewer	0	0	1,730,820	1,679,057	1,730,820	1,679,057
Total expenses	<u>2,486,983</u>	<u>2,475,847</u>	<u>1,730,820</u>	<u>1,679,057</u>	<u>4,217,803</u>	<u>4,154,904</u>
<b>Increase in</b>						
<b>Net Assets</b>	<u>\$ 67,256</u>	<u>\$ 220,998</u>	<u>\$ 359,369</u>	<u>\$ 131,883</u>	<u>\$ 426,625</u>	<u>\$ 352,881</u>

**Charter Township of Monitor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

As reported in the statement of activities, the cost of all of our governmental and business-type activities this year was \$4,217,803. Certain activities were partially funded by \$2,178,036 from those who benefited from the programs, or by the other Townships and organizations that subsidized certain programs with contributions of \$451,189. We paid for the remaining "public benefit" portion of our governmental and business-type activities with \$1,090,053 in taxes, \$698,834 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The governmental activities net assets experienced an increase of \$67,256 resulting from an increase in revenue received for governmental services rendered and the increase in interest rates in investment earnings. Actual expenses increased \$62,899 during 2006, a increase of approximately 1.5% from 2005. The majority of these expenses are associated to services provided for public safety, including fire department and law enforcement, public works, and recreation costs.

The water and sewer funds experienced an increase of \$359,369 resulting from an excess of customer charges over expenditures for the year.

**The Township's Funds**

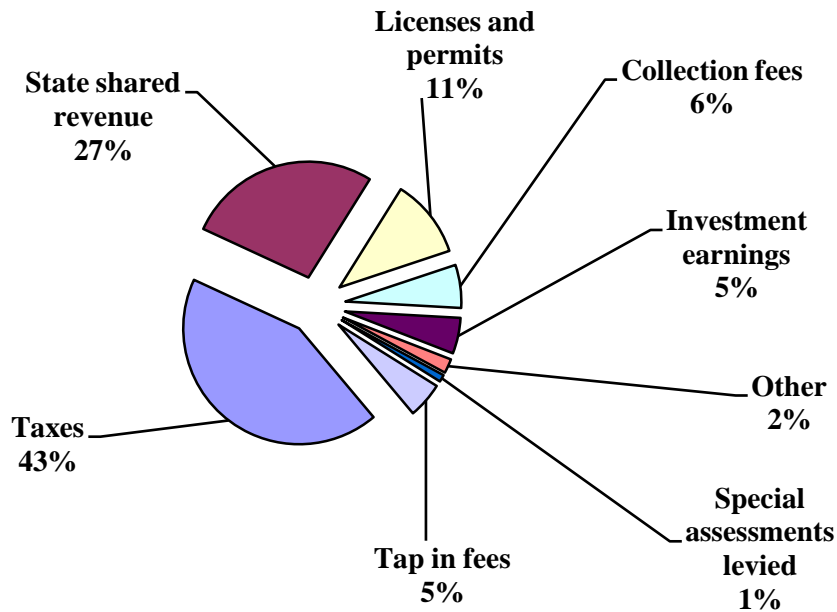
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$3,453,669, which is an increase from last year's total of \$3,387,798. The schedule below details the fund balance and the total change in fund balances as of December 31, 2006 and 2005.

	<u>Fund Balance</u> <u>December 31, 2006</u>	<u>Fund Balance</u> <u>December 31, 2005</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 1,757,880	\$ 1,701,690	\$ 56,190
Special revenue funds	1,397,768	1,421,168	(23,400)
Capital projects fund	298,021	264,940	33,081
Total	<u>\$ 3,453,669</u>	<u>\$ 3,387,798</u>	<u>\$ 65,871</u>

Charter Township of Monitor  
Management's Discussion & Analysis  
For the Year Ended December 31, 2006

The graph below details the major sources of the Township's total governmental revenues.



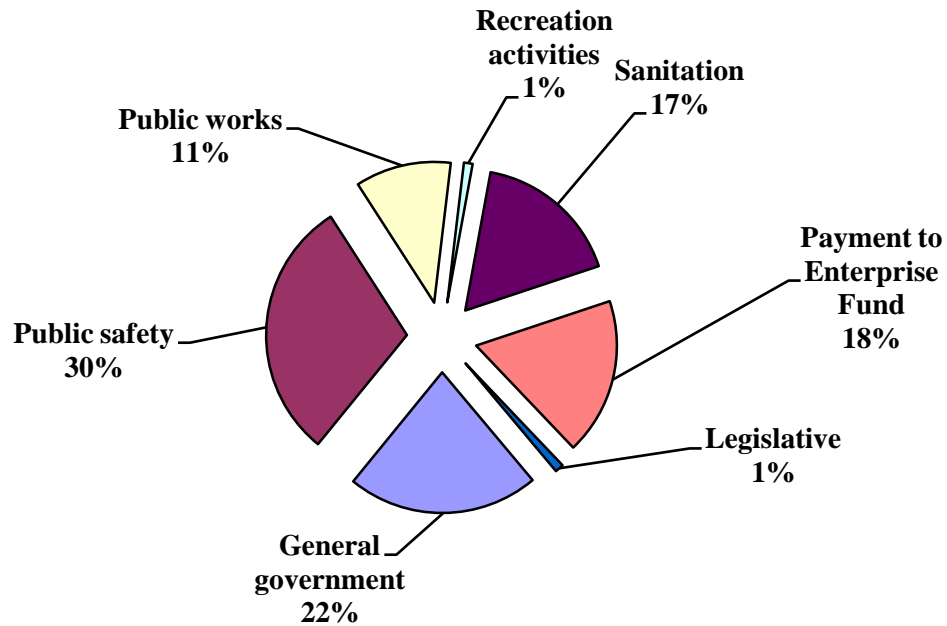
The chart below compares current year revenues with last year.

	2006	2005	Percentage Change
<i>Revenues by Function</i>			
Taxes	\$ 1,090,000	\$ 1,087,000	0%
State shared revenue	699,000	682,000	2%
Licenses and permits	275,000	382,000	-28%
Collection fees	153,000	142,000	8%
Tap-in fees	132,000	205,000	-36%
Investment earnings	132,000	77,000	71%
Other	43,000	50,000	-14%
Special assessments levied	30,000	31,000	-3%
Total	<u>\$ 2,554,000</u>	<u>\$ 2,656,000</u>	<u>-4%</u>

Overall, 2006 revenues are down \$102,000 or 4% mainly due to a decrease in sewer tap revenue of \$97,881 collected in 2006 compared to that collected in 2005, and a general decrease in new building construction in the Township.

**Charter Township of Monitor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

The graph below details the total governmental expenditure categories of the Township.



The chart below compares current year expenditures with last year.

	2006	2005	Percentage Change
<i>Expenditures by Function</i>			
Legislative	\$ 36,000	\$ 37,000	-3%
General government	549,000	544,000	1%
Public safety	745,000	722,000	3%
Public works	266,000	249,000	7%
Recreation activities	14,000	43,000	-67%
Sanitation	428,000	420,000	2%
Other	0	97,000	-100%
Payment to Enterprise Fund	451,000	449,000	0%
<b>Total</b>	<b>\$ 2,489,000</b>	<b>\$ 2,561,000</b>	<b>-3%</b>

**Charter Township of Monitor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

Expenditures are down \$72,000 from the prior year. This decrease is not significant and was mostly due to a one-time adjustment made in 2005 to the Capital Projects Budget that did not carry over into 2006.

**Water and Sewer System Funds** -The Township's proprietary funds (the Bay County DWS Monitor Water and Sewer Enterprise Funds and the Township Water Fund) reported net assets of \$9,250,000, which is an increase of approximately \$360,000 over last year's net assets of \$8,890,000. Operating revenues exceeded operating expenses for the year.

**General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the general fund original budget were as follows:

- Budgeted expenditures increased by about \$2,500 during the fiscal year. The change was not significant.
- Actual revenues for the year were \$99,945 more than anticipated during the fiscal year. The overall change was not significant.
- Actual expenditures for the year were \$255,567 less than anticipated, mainly due to the uncertainty of state revenue sharing cuts. It was anticipated that the expenditures contained in the 2006 budget would exceed projected revenue by \$299,322. To be fiscally responsible, budget expenditures were limited to projected revenue amounts. The Township is also contracted for a percentage of the costs associated with critical bridge funding to replace two bridges in the township. Some of these projected costs will be delayed until 2007.

Charter Township of Monitor  
Management's Discussion & Analysis  
For the Year Ended December 31, 2006

**Capital Assets**

At December 31, 2006, the Township had \$19.6 million invested in a broad range of capital assets, including land, buildings, equipment, transportation equipment, water and sewer systems. This amount represents a net increase (including additions and disposals) of approximately \$34,000 from last year.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land	\$ 88,112	\$ 88,112	\$ 8,787	\$ 8,787	\$ 96,899	\$ 96,899
Buildings and improvements	856,816	856,816	0	0	856,816	856,816
Vehicles	357,351	357,351	0	0	357,351	357,351
Equipment	171,420	157,591	0	0	171,420	157,591
Water system	0	0	4,958,265	4,958,265	4,958,265	4,958,265
Sewer System	0	0	13,239,494	13,219,303	13,239,494	13,219,303
 Total capital assets	 1,473,699	 1,459,870	 18,206,546	 18,186,355	 19,680,245	 19,646,225
 Less accumulated depreciation	 958,678	 907,145	 9,202,059	 8,827,043	 10,160,737	 9,734,188
 Net capital assets	 <u>\$ 515,021</u>	 <u>\$ 552,725</u>	 <u>\$ 9,004,487</u>	 <u>\$ 9,359,312</u>	 <u>\$ 9,519,508</u>	 <u>\$ 9,912,037</u>

This year's additions for governmental activities of \$19,401 were for new voting machines, the cost of which were covered by a grant intended specifically for their purchase.

This year's additions for business-type activities of \$20,190 included equipment and system improvements.

We present more detailed information about our governmental activities capital assets in the notes to the financial statements. We do not anticipate any significant capital additions in the next year.

Capital additions to our business-type activities for next year have not been determined.



**Charter Township of Monitor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

**Debt**

At the end of this year, the Township had \$1.4 million in long-term debt outstanding versus \$2.0 million in the previous year. The Township's debt is related to water and sewer system improvements, reported in the proprietary funds, and drainage district bonds and notes reported in the governmental funds. This debt is summarized as follows:

	<u>2006</u>	<u>2005</u>
Governmental	\$ 70,072	\$ 111,987
Proprietary	<u>1,327,237</u>	<u>1,919,313</u>
	<u>\$ 1,397,309</u>	<u>\$ 2,031,300</u>

**Factors Expected to Have an Effect on Future Operations**

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. As in prior years, the Township has faced a continued increase in the costs for health care benefits and property insurance premiums. There are many roads in the Township that require improvements, as well as increased costs to provide public safety services.

The Township residents were asked in November 2006 to support a Public Safety millage for the fire department and police services. Voters at the November 8<sup>th</sup> election passed this millage. This will allow the Township to purchase a new fire truck in 2007. The additional millage will also help alleviate the burden to the general fund for road patrol services.

The Township will continue its vigilance to seek additional ways to increase revenue and continue to monitor and adjust its expenditures.

**Contacting The Township's Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 2483 E. Midland Road, Bay City, MI 48706.

Charter Township of Monitor  
Statement of Net Assets  
December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 3,588,037	\$ 1,398,560	\$ 4,986,597	\$ 427,867
Receivables:				
Accounts receivable	8,921	259,443	268,364	0
Assessment receivable	344,059	0	344,059	0
Accrued interest receivable	37,188	13,922	51,110	0
Taxes receivable	582,735	0	582,735	157,446
Prepaid expenses	36,500	11,790	48,290	0
Due from fiduciary funds	429,354	0	429,354	0
Due from other governments	3,433	0	3,433	0
Capital assets less accumulated depreciation	515,021	9,004,487	9,519,508	456,568
 Total assets	 5,545,248	 10,688,202	 16,233,450	 1,041,881
<u>Current Liabilities</u>				
Accounts payable	103,724	76,445	180,169	14,161
Accrued payroll	0	1,199	1,199	0
Accrued interest payable	2,061	11,082	13,143	0
Accrued liabilities	29,264	0	29,264	0
Deferred revenue	1,437,613	0	1,437,613	157,446
Deposits	5,957	0	5,957	0
Compensated absences	0	3,357	3,357	0
Bonds and notes payable	19,082	515,576	534,658	0
Total current liabilities	1,597,701	607,659	2,205,360	171,607
<u>Long-term Liabilities</u>				
Compensated absences	16,453	19,019	35,472	0
Bonds and notes payable	50,990	811,661	862,651	0
Total long-term liabilities	67,443	830,680	898,123	0
 Total liabilities	 1,665,144	 1,438,339	 3,103,483	 171,607
<u>Net Assets</u>				
Investment in capital assets - net of related debt	442,888	7,666,168	8,109,056	456,568
Restricted	1,695,789	0	1,695,789	0
Unrestricted	1,741,427	1,583,695	3,325,122	413,706
 Total net assets	 \$ 3,880,104	 \$ 9,249,863	 \$ 13,129,967	 \$ 870,274

See accompanying notes to financial statements.

Charter Township of Monitor  
Statement of Activities  
For the Year Ended December 31, 2006

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants/Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:							
Legislative	\$ 35,691	\$ 0	\$ 0	\$ (35,691)	\$ 0	\$ (35,691)	\$ 0
General government	567,145	204,301	0	(362,844)	0	(362,844)	0
Public safety	761,580	274,683	0	(486,897)	0	(486,897)	0
Public works	222,233	132,058	0	(90,175)	0	(90,175)	0
Recreation activities	21,629	0	0	(21,629)	0	(21,629)	0
Sanitation	427,514	237	0	(427,277)	0	(427,277)	0
Payment to enterprise fund	451,191	0	0	(451,191)	0	(451,191)	0
Total governmental activities	2,486,983	611,279	0	(1,875,704)	0	(1,875,704)	0
Business-type activities:							
Water	649,766	732,587	0	0	82,821	82,821	0
Sewer	1,081,054	834,170	451,189	0	204,305	204,305	0
Total business-type activities	1,730,820	1,566,757	451,189	0	287,126	287,126	0
Total primary government	\$4,217,803	\$ 2,178,036	\$ 451,189	(1,875,704)	287,126	(1,588,578)	0
Component Units:							
Downtown Development Authority	\$ 209,697	\$ 0	\$ 0	0	0	0	(209,697)
Total component units	\$ 209,697	\$ 0	\$ 0	0	0	0	(209,697)
General Revenues:							
Taxes				1,090,053	0	1,090,053	219,370
State shared revenue				698,834	0	698,834	0
Investment earnings				132,387	72,243	204,630	17,808
Other				21,686	0	21,686	90
Total general revenues				1,942,960	72,243	2,015,203	237,268
Change in net assets				67,256	359,369	426,625	27,571
Net assets - beginning of year as previously reported				3,778,022	8,890,494	12,668,516	842,703
Prior period adjustment				34,826	0	34,826	0
Net assets - beginning of year as restated				3,812,848	8,890,494	12,703,342	842,703
Net assets - end of year				\$ 3,880,104	\$ 9,249,863	\$13,129,967	\$ 870,274

See accompanying notes to financial statements.

Charter Township of Monitor  
 Governmental Funds  
 Balance Sheet  
December 31, 2006

	General	Solid Waste	Sewage Disposal System	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>					
Cash and investments	\$ 1,763,147	\$ 167,419	\$ 915,192	\$ 742,279	\$ 3,588,037
Receivables:					
Taxes receivable	473,347	0	109,388	0	582,735
Assessment receivable	0	245,988	98,071	0	344,059
Interest receivable	33,386	0	3,802	0	37,188
Accounts receivable	8,501	0	0	420	8,921
Due from fiduciary funds	254,311	145,152	29,891	0	429,354
Due from other governments	3,433	0	0	0	3,433
Due from governmental funds	38,550	0	0	0	38,550
Prepaid expenditures	36,500	0	0	0	36,500
Total assets	<u>\$ 2,611,175</u>	<u>\$ 558,559</u>	<u>\$ 1,156,344</u>	<u>\$ 742,699</u>	<u>\$ 5,068,777</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 68,148	\$ 35,576	\$ 0	\$ 0	\$ 103,724
Accrued liabilities	19,330	0	0	9,934	29,264
Due to governmental funds	0	0	2,000	36,550	38,550
Deferred revenue	759,860	444,780	232,973	0	1,437,613
Deposits	5,957	0	0	0	5,957
Total liabilities	<u>853,295</u>	<u>480,356</u>	<u>234,973</u>	<u>46,484</u>	<u>1,615,108</u>
<u>Fund Balances</u>					
Reserved	0	78,203	921,371	696,215	1,695,789
Unreserved:					
Undesignated	<u>1,757,880</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,757,880</u>
Total fund balance	<u>1,757,880</u>	<u>78,203</u>	<u>921,371</u>	<u>696,215</u>	<u>3,453,669</u>
Total liabilities and fund balance	<u>\$ 2,611,175</u>	<u>\$ 558,559</u>	<u>\$ 1,156,344</u>	<u>\$ 742,699</u>	<u>\$ 5,068,777</u>

See accompanying notes to financial statements.

Charter Township of Monitor  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
December 31, 2006

Total fund balance - governmental funds		\$ 3,453,669
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds:

Cost of the capital assets	\$ 1,473,699	
Accumulated depreciation	<u>(958,678)</u>	515,021

Long-term liabilities are not due and payable in the current  
period and are not reported in the funds:

Bonds payable	(70,072)	
Compensated absences	(16,453)	

Accrued interest payable is not included as a liability in  
governmental activities

	<u>(2,061)</u>	<u>(88,586)</u>
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Total net assets - governmental activities		<u><u>\$ 3,880,104</u></u>
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See accompanying notes to financial statements.

Charter Township of Monitor  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2006

	General	Solid Waste	Sewage Disposal System	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>					
Taxes	\$ 395,959	\$ 428,779	\$ 265,315	\$ 0	\$ 1,090,053
Tap-in fees	0	0	107,458	24,600	132,058
Collection fees	152,898	0	0	0	152,898
State shared revenue	698,834	0	0	0	698,834
Special assessments levied	29,948	0	0	0	29,948
Hall rental	21,455	0	0	0	21,455
Interest	79,883	1,986	26,749	23,769	132,387
Licenses and permits	136,274	237	0	138,409	274,920
Other	21,686	0	0	0	21,686
	<u>1,536,937</u>	<u>431,002</u>	<u>399,522</u>	<u>186,778</u>	<u>2,554,239</u>
Total revenues					
<u>Expenditures</u>					
Legislative	35,691	0	0	0	35,691
General government	549,279	0	0	0	549,279
Public safety	616,290	0	0	128,916	745,206
Public works	265,504	0	0	0	265,504
Recreation activities	13,983	0	0	0	13,983
Sanitation	0	427,509	5	0	427,514
Other	0	0	0	0	0
Payment to enterprise fund for debt service	0	0	451,191	0	451,191
	<u>1,480,747</u>	<u>427,509</u>	<u>451,196</u>	<u>128,916</u>	<u>2,488,368</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	56,190	3,493	(51,674)	57,862	65,871
Fund balance - beginning of year	<u>1,701,690</u>	<u>74,710</u>	<u>973,045</u>	<u>638,353</u>	<u>3,387,798</u>
Fund balance - end of year	<u>\$ 1,757,880</u>	<u>\$ 78,203</u>	<u>\$ 921,371</u>	<u>\$ 696,215</u>	<u>\$ 3,453,669</u>

See accompanying notes to financial statements.

Charter Township of Monitor  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2006

Net change in fund balance - total governmental funds	\$	65,871
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Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures; in the  
statement of activities, these costs are allocated over their  
estimated useful lives as depreciation:

Depreciation expense	\$ (57,105)		
Capital outlay	19,401		
			(37,704)

Long-term liabilities are not due and payable in the current  
period and are not reported in the funds:

Bonds payable	41,915		
Compensated absences	(4,182)		

Accrued interest payable is not included as a liability in  
governmental activities

	1,356		39,089

Change in net assets of governmental activities	\$	67,256
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See accompanying notes to financial statements.

Charter Township of Monitor  
Proprietary Funds  
Statement of Net Assets  
December 31, 2006

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 930,541	\$ 468,019	\$ 1,398,560
Accounts receivable - net	116,316	143,127	259,443
Interest receivable	7,754	6,168	13,922
Prepaid expenses	5,203	6,587	11,790
Total current assets	<u>1,059,814</u>	<u>623,901</u>	<u>1,683,715</u>
Capital assets - at cost	4,967,052	13,239,494	18,206,546
Less allowance for depreciation	<u>(2,399,219)</u>	<u>(6,802,840)</u>	<u>(9,202,059)</u>
Net capital assets	<u>2,567,833</u>	<u>6,436,654</u>	<u>9,004,487</u>
Total assets	<u>3,627,647</u>	<u>7,060,555</u>	<u>10,688,202</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	68,898	7,547	76,445
Accrued payroll	987	212	1,199
Accrued interest payable	2,030	9,052	11,082
Compensated absences	3,357	0	3,357
Bonds payable	15,000	500,576	515,576
Total current liabilities	<u>90,272</u>	<u>517,387</u>	<u>607,659</u>
Long-term Liabilities:			
Compensated absences	19,019	0	19,019
Bonds payable	311,085	500,576	811,661
Total long-term liabilities	<u>330,104</u>	<u>500,576</u>	<u>830,680</u>
Total liabilities	<u>420,376</u>	<u>1,017,963</u>	<u>1,438,339</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	2,239,718	5,426,450	7,666,168
Unrestricted	967,553	616,142	1,583,695
Total net assets	<u>\$ 3,207,271</u>	<u>\$ 6,042,592</u>	<u>\$ 9,249,863</u>

See accompanying notes to financial statements



Charter Township of Monitor  
Proprietary Funds  
Statement of Revenues, Expenses and Change in Net Assets  
For the Year Ended December 31, 2006

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Gross service charges	\$ 690,244	\$ 791,734	\$ 1,481,978
Water costs	316,722	0	316,722
Gross profit	373,522	791,734	1,165,256
Operating revenues:			
Service connections	15,200	0	15,200
Charges, fees, etc.	1,490	42,436	43,926
Total operating revenues	16,690	42,436	59,126
Operating expenses:			
Personal services	112,257	106,292	218,549
Utilities	2,023	9,916	11,939
Regional charges	0	568,771	568,771
Operation and maintenance	31,231	44,178	75,409
Administration	19,731	27,200	46,931
Fiscal and other charges	12,148	2,856	15,004
Depreciation	117,478	257,537	375,015
Total operating expenses	294,868	1,016,750	1,311,618
Operating income (loss)	95,344	(182,580)	(87,236)
Nonoperating revenues (expenses):			
Interest income	44,123	28,120	72,243
Interest expense	(14,649)	(64,304)	(78,953)
Payment from (to) local unit	(23,527)	451,189	427,662
Payment from county unit	25,653	0	25,653
Total nonoperating revenue (expense)	31,600	415,005	446,605
Change in net assets	126,944	232,425	359,369
Net assets - beginning of year	3,080,327	5,810,167	8,890,494
Net assets - end of year	\$ 3,207,271	\$ 6,042,592	\$ 9,249,863

See accompanying notes to financial statements

Charter Township of Monitor  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended December 31, 2006

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 691,026	\$ 755,721	\$1,446,747
Cash payments to suppliers for goods and services	(493,384)	(658,338)	(1,151,722)
Cash payments to employees for services	(109,784)	(106,390)	(216,174)
Other operating income	38,693	42,436	81,129
Net cash provided by operating activities	126,551	33,429	159,980
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(91,500)	(500,576)	(592,076)
Interest paid on long-term debt	(16,773)	(68,829)	(85,602)
Payments from (to) local units	2,126	451,189	453,315
Acquisition and construction of capital assets	0	(20,191)	(20,191)
Net cash (used) by capital and related financing activities	(106,147)	(138,407)	(244,554)
Cash flows from investing activities:			
Interest and investment earnings	40,954	26,201	67,155
Net increase (decrease) in cash and cash equivalent	61,358	(78,777)	(17,419)
Cash and cash equivalents, beginning of year	869,183	546,796	1,415,979
Cash and cash equivalents, end of year	\$ 930,541	\$ 468,019	\$1,398,560

See accompanying notes to financial statements

Charter Township of Monitor  
Statement of Fiduciary Net Assets  
December 31, 2006

	<u>Tax Collection Agency</u>	<u>Briar Farms</u>	<u>Rueger Farms</u>	<u>Rueger Farms Phase II</u>	<u>Pepper Berry Creek Estates</u>	<u>Valley Center</u>	<u>Harvest View Fund</u>	<u>Crossroads Fund</u>	<u>Total</u>
<u>ASSETS</u>									
Cash and investments	\$ 1,154,554	\$ 5,154	\$ 5,112	\$ 5,163	\$10,568	\$ 10,131	\$ 2,531	\$ 4,692	\$ 1,197,905
Taxes receivable	0	1,904	0	0	627	849	173	2,149	5,702
Interest receivable	0	152	151	153	312	300	75	139	1,282
Due from fiduciary funds	<u>0</u>	<u>48</u>	<u>0</u>	<u>0</u>	<u>373</u>	<u>152</u>	<u>57</u>	<u>232</u>	<u>862</u>
Total assets	<u>\$ 1,154,554</u>	<u>\$ 7,258</u>	<u>\$ 5,263</u>	<u>\$ 5,316</u>	<u>\$11,880</u>	<u>\$ 11,432</u>	<u>\$ 2,836</u>	<u>\$ 7,212</u>	<u>\$ 1,205,751</u>
<u>LIABILITIES</u>									
Due to governmental funds	\$ 429,354	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 429,354
Due to fiduciary funds	862	0	0	0	0	0	0	0	862
Undistributed current taxes	724,338	0	0	0	0	0	0	0	724,338
Deposits held for taxpayers	<u>0</u>	<u>7,258</u>	<u>5,263</u>	<u>5,316</u>	<u>11,880</u>	<u>11,432</u>	<u>2,836</u>	<u>7,212</u>	<u>51,197</u>
Total liabilities	<u>\$ 1,154,554</u>	<u>\$ 7,258</u>	<u>\$ 5,263</u>	<u>\$ 5,316</u>	<u>\$11,880</u>	<u>\$ 11,432</u>	<u>\$ 2,836</u>	<u>\$ 7,212</u>	<u>\$ 1,205,751</u>

See accompanying notes to financial statements.

Charter Township of Monitor  
Component Unit  
Statement of Net Assets  
December 31, 2006

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash and investments	\$ 427,867
Taxes receivable	157,446
Capital assets	<u>456,568</u>
Total assets	<u>1,041,881</u>
<u>Liabilities</u>	
Accounts payable	14,161
Deferred revenue	<u>157,446</u>
Total liabilities	<u>171,607</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	456,568
Unrestricted	<u>413,706</u>
Total net assets	<u><u>\$ 870,274</u></u>

See accompanying notes to financial statements

Charter Township of Monitor  
Component Unit  
Statement of Activities  
For the Year Ended December 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Downtown Development Authority			
General government	<u>\$ 209,697</u>	<u>\$ 0</u>	<u>\$ (209,697)</u>
Total component unit	<u><u>\$ 209,697</u></u>	<u><u>\$ 0</u></u>	<u><u>(209,697)</u></u>
General Revenues:			
			219,370
Taxes			
Other			90
Interest and investment earnings			<u>17,808</u>
Total general revenues			<u>237,268</u>
Change in net assets			27,571
Net assets - beginning of year			<u>842,703</u>
Net assets - end of year			<u><u>\$ 870,274</u></u>

See accompanying notes to financial statements

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charter Township of Monitor conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Monitor:

**Reporting Entity**

The Charter Township of Monitor (Township) was organized in 1869 and covers an area of approximately 38 square miles in Bay County, Michigan. The Township operates under an elected board (seven members) and provides services to its residents in many areas including fire protection, highways and streets and sanitation. The reporting entity for the Township is based on criteria set forth by statements issued by the Governmental Accounting Standards Board. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

Discretely Presented Component Units – The component unit column in the combined financial statements, which represents the financial data of the Charter Township of Monitor Downtown Development Authority (Authority) is reported in a separate column to emphasize that it is legally separate from the Township. The Authority operates under the directorship of a board consisting of nine members appointed by the Charter Township of Monitor Board. The annual budget of the Authority is approved by the Charter Township of Monitor Board. The Authority cannot levy taxes or issue debt without the approval of the Charter Township of Monitor Board. The Authority was created to halt property value deterioration and the causes thereof, to increase property tax valuation, and to promote economic growth within the development district. The financial statements of the Authority can be obtained at 2483 E. Midland Road, Bay City, MI 48706.

These statements also include the water and sewer systems managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the systems for the calendar year 2006.

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

The Government reports the following major funds:

**General Fund** - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

**Solid Waste Fund** – The Solid Waste Fund is used to record transactions relative to the collection of the trash in the Township.

**Sewage Disposal Fund** – The Sewage Disposal Fund is used to record transactions for the support of the sewage system in the Township.

**Bay County Department of Water and Sewer Enterprise Funds and Township Water Fund** – These funds account for the activities of providing water and sewer services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township. These funds are the Township's only proprietary funds.

**Assets, Liabilities and Net Assets or Equity**

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.



Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building and land improvements	15 to 30 years
Vehicles	5 years
Equipment	5 to 7 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Each Township department head submits to the supervisor an itemized estimate of the anticipated expenditures of the Township for the next fiscal year for the Township activities under his or her charge. The supervisor shall prepare a complete itemized proposed budget for the next fiscal year and submit it to the Township Board. A public hearing on the budget is to be held before its final adoption, at such time and place as the Township Board directs, and notice of such public hearing is to be published at least one week in advance by the Township Clerk.

A copy of the proposed budget shall be on file and available to the public for inspection during office hours at the office of the Township Clerk for a period of not less than one week prior to such public hearing. Then no later than December the Township Board shall, by resolution, adopt the budget for the next fiscal year and shall, in that resolution, make an appropriation of money needed for Township purposes during the ensuing fiscal year of the Township.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund, Solid Waste Fund and Sewage Disposal System Fund is presented as Required Supplemental Information.

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Government is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Government's deposits are in accordance with statutory authority.

At year-end, the Government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	<u>\$ 3,588,037</u>	<u>\$ 1,398,560</u>	<u>\$ 1,197,905</u>	<u>\$6,184,502</u>	<u>\$ 427,867</u>
Total	<u><u>\$ 3,588,037</u></u>	<u><u>\$ 1,398,560</u></u>	<u><u>\$ 1,197,905</u></u>	<u><u>\$6,184,502</u></u>	<u><u>\$ 427,867</u></u>

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 4,241,462
Deposits and investments held at the Department of Water and Sewer	1,398,560
Investments	544,405
Petty cash and cash on hand	<u>75</u>
Total	<u><u>\$ 6,184,502</u></u>

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2006, \$3,414,066 of the Township's bank balance of \$4,264,766 was exposed to custodial credit risk because it was uninsured and uncollateralized. At December 31, 2006, \$331,693 of the component unit's bank balance of \$431,693 was exposed to custodial credit risk. Business-type activity funds of \$1,398,560 are with the Department of Water and Sewer. The composition of deposits and investments and the amount of deposits covered by federal depository insurance cannot be determined.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 88,112	\$ 0	\$ 0	\$ 88,112
Capital assets being depreciated:				
Buildings and improvements	856,816	0	0	856,816
Vehicles	357,351	0	0	357,351
Equipment	157,591	19,401	5,572	171,420
Subtotal	<u>1,371,758</u>	<u>19,401</u>	<u>5,572</u>	<u>1,385,587</u>
Less accumulated depreciation for:				
Buildings and improvements	510,478	26,232	0	536,710
Vehicles	324,351	9,000	0	333,351
Equipment	<u>72,316</u>	<u>21,873</u>	<u>5,572</u>	<u>88,617</u>
Subtotal	<u>907,145</u>	<u>57,105</u>	<u>5,572</u>	<u>958,678</u>
Net capital assets being depreciated	<u>464,613</u>	<u>(37,704)</u>	<u>0</u>	<u>426,909</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 552,725</u>	<u>\$ (37,704)</u>	<u>\$ 0</u>	<u>\$ 515,021</u>
<b><u>Business-type activities:</u></b>				
Capital assets not being depreciated				
Land	\$ 8,787	\$ 0	\$ 0	\$ 8,787
Capital assets being depreciated:				
Water system	4,958,265	0	0	4,958,265
Sewer system	13,219,303	20,190	0	13,239,493
Subtotal	<u>18,177,568</u>	<u>20,190</u>	<u>0</u>	<u>18,197,758</u>
Less accumulated depreciation for:				
Water system	2,281,740	117,478	0	2,399,218
Sewer system	<u>6,545,303</u>	<u>257,537</u>	<u>0</u>	<u>6,802,840</u>
Subtotal	<u>8,827,043</u>	<u>375,015</u>	<u>0</u>	<u>9,202,058</u>
Business-type activities, total capital assets, net of depreciation	<u>\$ 9,359,312</u>	<u>\$ (354,825)</u>	<u>\$ 0</u>	<u>\$ 9,004,487</u>

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<b><u>Component unit activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 456,568	\$ 0	\$ 0	\$ 456,568
Construction-in-process	54,054	0	54,054	0
	<u>\$ 510,622</u>	<u>\$ 0</u>	<u>\$ 54,054</u>	<u>\$ 456,568</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 33,085
Recreation	7,646
Public safety	<u>16,374</u>
Total governmental activities depreciation expense	<u>\$ 57,105</u>
Business-type activities:	
Water	\$ 117,478
Sewer	<u>257,537</u>
Total business-type activities depreciation expense	<u>\$ 375,015</u>
Component unit activities:	
Downtown Development Authority	<u>\$ 0</u>

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of inter-fund receivable and payable balances at December 31, 2006 and transfers made during the year ended December 31, 2006 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfer In (Out)</u>
General	\$ 292,861	\$ 0	\$ 0
Solid Waste	145,152	0	0
Sewage Disposal System	29,891	2,000	0
Building	0	36,550	0
Harvest View	57	0	0
Briar Farms	48	0	0
Pepper Berry Creek	373	0	0
Valley Center Tech Park	152	0	0
Crossroads	232	0	0
Tax Collection Agency	0	430,216	0
	<u>\$ 468,766</u>	<u>\$ 468,766</u>	<u>\$ 0</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 6 - LONG-TERM DEBT**

The following details the Township's long-term debt:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<u>Primary Government</u>			
Bay County Columbia Drainage District Drain Bonds Series 1988, dated September 1, 1988, due in annual installments through 2008, bearing interest rates of 5.8% to 7.8%.	\$ 31,500	\$ (10,500)	\$ 21,000
Popp and Branches County Drainage District Note, due in annual installments of \$3,757 plus interest at 5.64% through 2006.	3,756	(3,756)	0
Hildebrandt-Anderson County Drainage District Note, due in annual installments of \$6,900 plus interest at 5.50% through 2006.	6,900	(6,900)	0
Weiss Meed County Drainage District Note, due in annual installments of \$12,181 plus interest at 3.67% through 2006.	12,180	(12,180)	0
Arnold County Drainage District Note, due in annual installments of \$1,208 plus interest at 5.75% through 2011.	6,036	(1,207)	4,829
Baxman County Drainage District Note, due in annual installments of \$7,374 plus interest of 4.16% through 2012.	51,615	(7,372)	44,243
Bay County Water Supply System 1987 Series General Obligation Bonds, dated February 1, 1987, due in annual installments through 2006, bearing interest rates of 5.0% to 8.0%.	76,500	(76,500)	0



Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 6 - LONG - TERM DEBT (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Capital Improvement Bonds, dated June 26, 2004, due in annual installments through 2023 with an interest rate of 2.5%.	\$ 341,085	\$ (15,000)	\$ 326,085
Bay County West Side Regional Sewage Disposal General Obligation Bonds, dated July 1, 1978, due in annual installments through May 1, 2008, bearing interest rates of 5.5% to 7.5%.	1,501,728	(500,576)	1,001,152
	<u>2,031,300</u>	<u>(633,991)</u>	<u>1,397,309</u>
<u>Component Unit</u>			
Development agreement with John P. O'Brien and Ann M. O'Brien, dated July 1, 1999, for reimbursement of qualified costs related to handicapped accessibility. To be paid from 75% of the allowable tax increment revenues from this site being improved.	2,327	(2,327)	0
Development agreement with Quantum Composites, Inc., dated February 3, 1998, for reimbursement of qualified costs related to handicapped accessibility. To be paid from 75% of the allowable tax increment revenues from this site being improved.	365	(365)	0
Development agreement with Metro Fabricating, Inc., dated September 21, 1998, to reimburse up to \$38,899 for qualified costs related to handicapped accessibility. To be paid from 75% of the allowable tax increment revenues from this site being improved. Subject to the full payment of the development agreement with G & S Investment Company.	8,476	(8,476)	0
	<u>11,168</u>	<u>(11,168)</u>	<u>0</u>
Total	<u>\$ 2,042,468</u>	<u>\$ (645,159)</u>	<u>\$ 1,397,309</u>

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 6 – LONG -TERM DEBT (CONTINUED)**

Long-term debt obligation activity is summarized as follows:

	Balance January 1, 2006	Additions	Retirements and Payments	Balance December 31, 2006	Amount Due Within One Year
Bonds	<u>\$2,042,468</u>	<u>\$ 0</u>	<u>\$ (645,159)</u>	<u>\$1,397,309</u>	<u>\$ 534,658</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-Type Activities		Component Unit Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 19,082	\$ 3,188	\$ 515,576	\$ 49,450	\$ 0	\$ 0
2008	19,082	2,073	515,576	21,544	0	0
2009	8,582	1,438	15,000	7,402	0	0
2010	8,578	991	15,000	7,028	0	0
2011	7,374	615	15,000	6,652	0	0
2012-2016	7,374	307	90,000	27,264	0	0
2017-2021	0	0	105,000	15,140	0	0
2022-2026	0	0	56,085	2,054	0	0
Total	<u>\$ 70,072</u>	<u>\$ 8,612</u>	<u>\$1,327,237</u>	<u>\$ 136,534</u>	<u>\$ 0</u>	<u>\$ 0</u>

**NOTE 7 – PENSION PLAN**

The Township has established the Charter Township of Monitor Group Pension Plan, a defined contribution, contributory retirement plan that covers substantially all employees of the Township. The plan requires a mandatory employee contribution of 5% of base pay and allows an additional participant contribution of up to 10% of base pay. The employer's contribution to the plan is 15% of base pay. The employer's pension expense for the year ended December 31, 2006 was \$73,415.

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 8 - COMPENSATED ABSENCES PAYABLE**

Vacation time is earned in varying amounts depending upon years of service and number of hours worked. Vacation time may not be accumulated beyond the year after it is earned. Accumulated vacation time is payable upon termination of employment.

Paid sick leave will be allowed for up to five days per calendar year on an "as required" basis. There shall be no payment for any unused sick time upon termination of employment or otherwise.

The Department of Water and Sewer has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 120 days. Union employees may either use these sick days when ill or receive payment for 70% of the unused portion at time of retirement. All other employees receive 85% of the unused portion at time employment is terminated. Employees are also allowed to accumulate unused vacation days. Employees can accumulate a maximum of 30 days to carry over at the end of the year. In addition, the DWS provides a longevity payment to all supervisory and administrative employees at time of retirement. The benefit is based on years of employment times one-third of monthly salary, with a maximum payment of six months of salary. The cost of this benefit is recognized when earned. The total liability for compensated absences was \$22,376.

**NOTE 9 – RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	Water Funds	Sewer Fund	Total
Operating income (loss)	\$ 95,344	\$ (182,580)	\$ (87,236)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	117,478	257,537	375,015
Changes in assets and liabilities:			
Accounts receivable	782	(36,013)	(35,231)
Due from other governments	22,003	0	22,003
Prepaid expenses	(4,008)	(5,333)	(9,341)
Accounts payable	(107,521)	(84)	(107,605)
Accrued payroll	786	(98)	688
Compensated absences	1,687	0	1,687
Net cash provided by operating activities	<u>\$ 126,551</u>	<u>\$ 33,429</u>	<u>\$ 159,980</u>

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 10 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, property tax revenues received or accrued prior to meeting all eligibility requirements amounted to \$1,437,613.

**NOTE 11 - TAX INCREMENTAL FINANCING PROCEDURES**

The tax increment financing procedure is outlined in Public Act 197 of 1975, as amended. It allows the Monitor Township Downtown Development Authority to receive a portion of the taxes created as a result of increased property values over a base year value on property located within the district. These property taxes are collected by the Monitor Township Treasurer who then pays the collected taxes to the Treasurer of the Authority. Taxes are levied and become an enforceable lien on property on July 1 and December 1 and payable on September 14 and February 28. The Authority recognizes the tax revenues when they are due and payable.

For 2006, the DDA collected 65% of the tax increment finances that they are eligible to receive. The other 35% is to be forwarded to the other taxing entities. The DDA Board determines the percentage to be received on an annual basis based on the budget approved by the Monitor Township Board of Trustees.

**NOTE 12 - RISK FINANCING AND RELATED INSURANCE ISSUES**

The risk of loss to which the Township and Downtown Development Authority is exposed and for which it has purchased insurance is for liability only. There have been no significant reductions in insurance coverage as compared to the previous year.

Charter Township of Monitor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 13 - RELATED PARTY TRANSACTIONS**

In 2006, the Township entered into an agreement with the DDA in which the Township provides administrative services to the DDA. The Township is responsible for paying the DDA's sole employee wages and employee fringe benefits and withhold applicable payroll taxes. The agreement requires the DDA to reimburse the Township for the costs of the DDA's employee and supplies used, plus a 10% administrative fee. Under this arrangement, the DDA paid the Township approximately \$50,000 in 2006.

The DDA has a development agreement with Quantum Composites, Inc. and another agreement with John P. O'Brien and Ann M. O'Brien for reimbursement of qualified costs related to handicapped accessibility. The President of Quantum Composites and John P. O'Brien are board members of the DDA. See Note 6 for details of these agreements.

The DDA is a member of the Valley Center Technology Park Owners Association (Association). The Association provides for maintenance and improvements related to Valley Center Technology Park assets owned or controlled by the Association. The DDA paid the Association approximately \$9,000 during the year ended December 31, 2006. The DDA contributed to the Association at a rate of approximately 35%, which is their approximate share of land ownership with the Association.

**NOTE 14 – SUBSEQUENT EVENTS**

The DDA entered into a development agreement with a third-party. As part of this agreement, the DDA was to prepare, approve, and submit an amended Tax Increment Financing Plan to the Charter Township of Monitor. The Township approved the amended plan during April 2007. The new TIF requires the DDA to capture 100% of tax increment revenues taxes beginning in 2007.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT**

The net assets of the governmental activities was corrected for an error in recording a capital asset. Election equipment should have been included as an addition to capital assets in 2005 in the amount of \$34,826.

Charter Township of Monitor  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 391,173	\$ 391,173	\$ 395,959	\$ 4,786
Collection fees	107,515	107,515	152,898	45,383
State shared revenue	701,742	701,742	698,834	(2,908)
Special assessments levied	29,971	29,971	29,948	(23)
Hall rental	12,000	12,000	21,455	9,455
Interest	7,500	7,500	79,883	72,383
Licenses and permits	125,528	125,528	136,274	10,746
Other	61,563	61,563	21,686	(39,877)
Total revenues	<u>1,436,992</u>	<u>1,436,992</u>	<u>1,536,937</u>	<u>99,945</u>
<u>Expenditures</u>				
Legislative	49,681	49,181	35,691	13,490
General government	702,606	672,106	549,279	122,827
Public safety	600,458	633,458	616,290	17,168
Public works	317,670	318,170	265,504	52,666
Recreation activities	63,399	63,399	13,983	49,416
Total expenditures	<u>1,733,814</u>	<u>1,736,314</u>	<u>1,480,747</u>	<u>255,567</u>
	(296,822)	(299,322)	56,190	355,512
Other Financing Sources (Uses)				
Operating Transfers out	<u>(50,563)</u>	<u>(51,448)</u>	<u>0</u>	<u>51,448</u>
Net change in fund balance	(347,385)	(350,770)	56,190	406,960
Fund balance - beginning of year	<u>1,701,690</u>	<u>1,701,690</u>	<u>1,701,690</u>	<u>0</u>
Fund balance - end of year	<u><u>\$ 1,354,305</u></u>	<u><u>\$ 1,350,920</u></u>	<u><u>\$ 1,757,880</u></u>	<u><u>\$ 406,960</u></u>

Charter Township of Monitor  
Required Supplemental Information  
Budgetary Comparison Schedule - Solid Waste Fund  
For the Year Ended December 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 428,779	\$ 428,779	428,779	\$ 0
Licenses and permits	0	0	237	237
Interest	1,500	1,500	1,986	486
Total revenues	430,279	430,279	431,002	723
<u>Expenditures</u>				
Sanitation	431,279	431,279	427,509	3,770
Total expenditures	431,279	431,279	427,509	3,770
Net change in fund balance	(1,000)	(1,000)	3,493	4,493
Fund balance - beginning of year	74,710	74,710	74,710	0
Fund balance - end of year	\$ 73,710	\$ 73,710	\$ 78,203	\$ 4,493

Charter Township of Monitor  
Required Supplemental Information  
Budgetary Comparison Schedule - Sewage Disposal System Fund  
For the Year Ended December 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 265,315	\$ 265,315	\$ 265,315	\$ 0
Tap-in fees	100,000	100,000	107,458	7,458
Interest	5,000	5,000	26,749	21,749
Total revenues	370,315	370,315	399,522	29,207
<u>Expenditures</u>				
Sanitation	200	200	5	195
Payment to enterprise fund for debt service	569,405	569,405	451,191	118,214
Total expenditures	569,605	569,605	451,196	118,409
Net change in fund balance	(199,290)	(199,290)	(51,674)	147,616
Fund balance - beginning of year	973,045	973,045	973,045	0
Fund balance - end of year	<u>\$ 773,755</u>	<u>\$ 773,755</u>	<u>\$ 921,371</u>	<u>\$ 147,616</u>



Charter Township of Monitor  
Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2006

	<u>Special Revenue Funds</u>		<u>Capital</u>	
	<u>Liquor</u>	<u>Building</u>	<u>Projects</u>	<u>Totals</u>
	<u>Control</u>			
<u>ASSETS</u>				
Cash and investments	\$ 1,118	\$ 443,140	\$ 298,021	\$ 742,279
Accounts receivable	<u>0</u>	<u>420</u>	<u>0</u>	<u>420</u>
Total assets	<u>\$ 1,118</u>	<u>\$ 443,560</u>	<u>\$ 298,021</u>	<u>\$ 742,699</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accrued liabilities	\$ 0	\$ 9,934	\$ 0	\$ 9,934
Due to governmental funds	<u>0</u>	<u>36,550</u>	<u>0</u>	<u>36,550</u>
Total liabilities	0	46,484	0	46,484
<u>Fund Balance</u>				
Reserved	<u>1,118</u>	<u>397,076</u>	<u>298,021</u>	<u>696,215</u>
Total liabilities and fund balance	<u>\$ 1,118</u>	<u>\$ 443,560</u>	<u>\$ 298,021</u>	<u>\$ 742,699</u>

Charter Township of Monitor  
Other Supplemental Information  
Combining Statement of Revenues, Expenditures and Changes  
in Fund Balance - Nonmajor Governmental Funds  
For the Year Ended December 31, 2006

	<u>Special Revenue Funds</u>			
	<u>Liquor Control</u>	<u>Building</u>	<u>Capital Projects</u>	<u>Totals</u>
<u>Revenues</u>				
Licenses and permits	\$ 5,173	\$ 133,236	\$ 0	\$ 138,409
Tap-in fees	0	0	24,600	24,600
Interest	2	15,286	8,481	23,769
Total revenues	<u>5,175</u>	<u>148,522</u>	<u>33,081</u>	<u>186,778</u>
<u>Expenditures</u>				
Public safety	4,820	124,096	0	128,916
Other	0	0	0	0
Total expenditures	<u>4,820</u>	<u>124,096</u>	<u>0</u>	<u>128,916</u>
Net change in fund balance	355	24,426	33,081	57,862
Fund balance - beginning of year	<u>763</u>	<u>372,650</u>	<u>264,940</u>	<u>638,353</u>
Fund balance - end of year	<u>\$ 1,118</u>	<u>\$ 397,076</u>	<u>\$ 298,021</u>	<u>\$ 696,215</u>

Charter Township of Monitor  
Other Supplemental Information  
Combining Statement of Net Assets  
Proprietary Water Fund  
December 31, 2006

	<u>DWS</u>	<u>Township</u>	<u>Totals</u>
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 930,541	\$ 0	\$ 930,541
Accounts receivable - net	116,316	0	116,316
Interest receivable	7,754	0	7,754
Due from other governments	0	0	0
Prepaid expenses	5,203	0	5,203
Total current assets	<u>1,059,814</u>	<u>0</u>	<u>1,059,814</u>
 Capital assets - at cost	 4,588,978	 378,074	 4,967,052
Less allowance for depreciation	<u>(2,384,516)</u>	<u>(14,703)</u>	<u>(2,399,219)</u>
Net capital assets	<u>2,204,462</u>	<u>363,371</u>	<u>2,567,833</u>
 Total Assets	 <u>3,264,276</u>	 <u>363,371</u>	 <u>3,627,647</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	68,898	0	68,898
Accrued payroll	987	0	987
Accrued interest payable	0	2,030	2,030
Compensated absences	3,357	0	3,357
Bonds payable	0	15,000	15,000
Total current liabilities	<u>73,242</u>	<u>17,030</u>	<u>90,272</u>
 Long-term Liabilities:			
Compensated absences	19,019	0	19,019
Bonds payable	0	311,085	311,085
Total long-term liabilities	<u>19,019</u>	<u>311,085</u>	<u>330,104</u>
 Total Liabilities	 <u>92,261</u>	 <u>328,115</u>	 <u>420,376</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	2,204,462	35,256	2,239,718
Unrestricted	<u>967,553</u>	<u>0</u>	<u>967,553</u>
 Total Net Assets	 <u>\$ 3,172,015</u>	 <u>\$ 35,256</u>	 <u>\$ 3,207,271</u>

Charter Township of Monitor  
Other Supplemental Information  
Combining Statement of Revenues, Expenses and Changes  
in Net Assets - Proprietary Water Fund  
For the Year Ended December 31, 2006

	<u>DWS</u>	<u>Township</u>	<u>Totals</u>
Gross service charges	\$ 690,244	\$ 0	\$ 690,244
Water costs	<u>316,722</u>	<u>0</u>	<u>316,722</u>
Gross profit	<u>373,522</u>	<u>0</u>	<u>373,522</u>
Operating revenues:			
Service connections	15,200	0	15,200
Charges, fees, etc.	<u>1,490</u>	<u>0</u>	<u>1,490</u>
Total operating revenues	<u>16,690</u>	<u>0</u>	<u>16,690</u>
Operating expenses:			
Personal services	112,257	0	112,257
Utilities	2,023	0	2,023
Operation and maintenance	31,231	0	31,231
Administration	19,731	0	19,731
Fiscal and other charges	12,148	0	12,148
Depreciation	<u>104,876</u>	<u>12,602</u>	<u>117,478</u>
Total operating expenses	<u>282,266</u>	<u>12,602</u>	<u>294,868</u>
Operating income (loss)	<u>107,946</u>	<u>(12,602)</u>	<u>95,344</u>
Nonoperating revenues (expenses):			
Interest income	44,123	0	44,123
Interest expense	(4,091)	(10,558)	(14,649)
Payment to local unit	(23,527)	0	(23,527)
Payment from county unit	<u>0</u>	<u>25,653</u>	<u>25,653</u>
Total nonoperating revenue (expense)	<u>16,505</u>	<u>15,095</u>	<u>31,600</u>
Change in net assets	124,451	2,493	126,944
Net assets - beginning of year	<u>3,047,564</u>	<u>32,763</u>	<u>3,080,327</u>
Net assets - end of year	<u><u>\$ 3,172,015</u></u>	<u><u>\$ 35,256</u></u>	<u><u>\$ 3,207,271</u></u>

Charter Township of Monitor  
 Other Supplemental Information  
 Combining Statement of Cash Flows  
 Proprietary Water Fund  
For the Year Ended December 31, 2006

	<u>DWS</u>	<u>Township</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 691,026	\$ 0	\$ 691,026
Cash payments to suppliers for goods and services	(493,384)	0	(493,384)
Cash payments to employees for services	(109,784)	0	(109,784)
Other operating income	38,693	0	38,693
	<u>126,551</u>	<u>0</u>	<u>126,551</u>
Net cash provided by operating activities			
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(76,500)	(15,000)	(91,500)
Interest paid on long-term debt	(6,120)	(10,653)	(16,773)
Payments from (to) local units	(23,527)	25,653	2,126
	<u>(106,147)</u>	<u>0</u>	<u>(106,147)</u>
Net cash (used) by capital and related financing activities			
Cash flows from investing activities:			
Interest and investment earnings	40,954	0	40,954
	<u>40,954</u>	<u>0</u>	<u>40,954</u>
Net increase in cash and cash equivalents	61,358	0	61,358
Cash and cash equivalents, beginning of year	869,183	0	869,183
	<u>869,183</u>	<u>0</u>	<u>869,183</u>
Cash and cash equivalents, end of year	<u>\$ 930,541</u>	<u>\$ 0</u>	<u>\$ 930,541</u>



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# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

May 24, 2007

Township Board  
Charter Township of Monitor  
Bay County, Michigan

In planning and performing our audit of the financial statements of the Charter Township of Monitor as of and for the year ended December 31, 2006, in accordance with U.S. generally accepted auditing standards, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of the Township's internal controls. In taking this required position, we must consider whether the Township has the ability, on its own, to monitor and report annual financial activity in accordance with our professional standards without auditor intervention.

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## WEINLANDER FITZHUGH

Township Board  
Charter Township of Monitor  
May 24, 2007  
Page 2

The Township uses accounting software as a management tool to monitor the financial status of the Township, to facilitate the preparation and amendment of budgets and to compare budgeted amounts to actual results. In addition, the Township demonstrates the ability to report fund level activities, monitor fiduciary fund activities (including tax collections and disbursements) and report on certain fund level note disclosures. Due to the complexity of the required government-wide financial statements, proprietary fund statements and related note disclosures in accordance with GASB 34, the Township does not maintain personnel who can properly report in accordance with U.S. generally accepted accounting principles without auditor intervention.

This communication is intended solely for the information and use of management, and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

*Weinlander Fitzhugh*